

# **Linked Deposits Review Committee Minutes from the Meeting of the Committee**

**Held November 1, 2006  
1:00 p.m.**

## **Call to Order**

The Linked Deposit Review Meeting was called to order at 1:00 p.m. on November 1, 2006.

## **Roll Call**

Roll was taken to determine the presence of a quorum. Committee members attending were Senator Rob Mayer (via conference call); Representative Jason Smith; Brian Grace, proxy for Greg Steinhoff, Director of the Department of Economic Development; Fred Ferrell, Director of the Department of Agriculture; and Jim Bracht, the banking representative on the committee. Mark Mathers from the State Treasurer's Office also participated.

## **Review of Report**

A quorum having been established, State Treasurer Sarah Steelman thanked the members for their attendance and asked for a volunteer to serve as the new chairman of the committee. Mr. Grace moved to appoint Mr. Bracht as chairman of the Linked Deposits Review Committee and Sen. Mayer seconded. The motion passed unanimously.

Mr. Mathers distributed a handout, which summarized changes implemented to the linked deposit program since passage of SB 270 in 2005, procedures used by the State Treasurer's Office to process applications and other changes. There was discussion regarding agricultural programs, marketing efforts, usage of the Job Creation program and statutory changes made to this program in 2006. In terms of marketing, Mr. Grace suggested that marketing the program directly to local chambers of commerce might be more effective than working solely through banks. There was also discussion about greater coordination with the Department of Economic Development.

Mr. Mathers then reviewed the draft Linked Deposits Review Committee report, which is required by law to be presented by the committee to the Governor and General Assembly. The report, which Mr. Mathers reviewed, included information on participation in the program by region, county, program, date, and bank. Mr. Ferrell complimented the State Treasurer's Office on the number of agricultural linked deposits placed in the first year of the program, which totaled more than \$100 million. Mr. Ferrell suggested that advance word could go out in December or January to banks encouraging them to line up applicants prior to February and March. Mr. Ferrell also raised issues related to the department's conflict of interest policy and its application to cooperatives in the Facility Borrower program. He asked for consideration of a threshold, such as 10%, whereby if the percentage of shares owned by investors with a conflict of interest is below that threshold, the linked deposit could be approved. He noted that he respected the right of Ms. Steelman to set her own office's policy. Ms. Steelman explained her reasoning that no applicant with a conflict of interest can receive a linked deposit. There was further discussion of the different types of cooperatives.

There was discussion regarding the lack of participation in the St. Louis and Kansas City areas and staff's marketing efforts in those areas. Mr. Mathers noted that staff had several good

discussions with banks in these areas, but we have not yet seen strong results there yet. Mr. Bracht explained that in high growth areas such as Springfield, banks' high loan-to-deposit ratio might make it more difficult for banks to pledge collateral in accordance with the State's legal requirements to collateralize deposits.

Although the vast majority of counties in the state had received linked deposits in the first year and there was a good geographical penetration of the program, staff was encouraged to market to other areas with limited or no use of the program such as Dent County and surrounding areas and the West Plains area. Mr. Mathers indicated that staff would follow up on those suggestions.

Sen. Mayer asked that the State Treasurer's Office consider creating a new agricultural program for storage areas, which are needed for storage of corn products used by the new ethanol plants being constructed in the state. Sen. Mayer also asked about the possibility of deferring interest for a year for some programs. Ms. Steelman indicated that she would look into those issues.

Sen. Mayer moved to accept the reports presented and Mr. Ferrell seconded. The motion passed unanimously. The meeting was adjourned.